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EX PARTE OR LATE FILED

**BELLSOUTH**

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November 22, 1996

**RECEIVED**

**NOV 22 1996**

Federal Communications Commission  
Office of Secretary

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W. - Room 222  
Washington, D.C. 20554

Re: CC Docket No. 96-152 Implementation of the Telecommunications  
Act of 1996 Telemessaging, Electronic Publishing and Alarm Monitoring Services  
ExParte

Dear Mr. Caton:

In accordance with Section 1.1206 of the Commission's rules, this is to notify you that on November 22, 1996 Donald J. Perozzi, Daniel Thompson, Jr., David W. Scobey, Jr. and Ben Almond, all of BellSouth Corporation met with FCC personnel in two meetings to discuss issues raised in the above referenced proceeding on Electronic Publishing. The first meeting was held with Pat Degraba and Gregory Rosston. The second meeting was held with A. Richard Metzger, Pat Degraba, Melissa Newman and Susan Launer. The material addressed in the enclosed document was used for discussion purposes.

Please associate this notification and accompanying document with the docket proceeding.

If there are any questions concerning this notification, please contact the undersigned.

Sincerely,



Ben G. Almond  
Executive Director-Federal Regulatory

Attachment/Enclosure

cc: A. Richard Metzger  
Pat Degraba  
Gregory Rosston  
Melissa Newman  
Susan Launer

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## **BELLSOUTH CORPORATION**

**NOVEMBER 22, 1996**  
**DOCKET 96-152 EX PARTE**  
**SECTION 274 - ELECTRONIC PUBLISHING**

### **ADVERTISING INDUSTRY IS HIGHLY COMPETITIVE**

- \$175 billion Industry (TV, Radio, Yellow Pages, Direct Mail, Magazines, etc.)
- Yellow Pages business - 6% of Industry (\$10.5 billion)
- BellSouth Advertising & Publishing Corporation (**BAPCO**) competes with more than 90 publishers of printed directory products

### **LOCAL EXCHANGE TELEPHONY COMPETITION**

- **BAPCO** is modifying its products and business processes to support telephony competition
- It is proactively seeking business relationships with all local exchange telephony providers in producing a comprehensive directory serving all carriers' customers
- Have "LEC - Friendly" contracts with:

AT&T

MFS

Others

MCI

MEDIA ONE

TIME WARNER

BELLSOUTH

### **ELECTRONIC DIRECTORY PUBLISHING DEVELOPMENT**

- Advertisers incorporating new information technology: **INTERNET**, CD-ROM, AUDIOTEXT, etc.
  - To improve linkage between buyers and sellers
  - Enable business to target specific messages to different groups of consumers
  - Consumers have improved information access, depth and customization
- Competition for **electronic directory services over the INTERNET is already intense**
  - No/little barriers to entry; “overnight” start-up
  - Over 150 top tier competitors (Bigbook, Yahoo!, Worldpages, etc.)
  - Microsoft, AT&T, America On-Line have/will launch products

**The NPRM sought comments on distinctions between Section 274(c)(1)(A) and Section 274(c)(1)(B).**

- Section 274(c)(1)(B) recognizes that a BOC affiliate can offer multiple services consisting of electronic publishing services as well as services unrelated to electronic publishing.
  - Section 274(c)(1)(B) would restrict joint marketing activities of electronic publishing services between the BOC and the affiliate.
  - However, the affiliate can provide/offer its non-electronic publishing services with the BOC, excluding *interLATA* or activities specifically restricted in the statute.
- By contrast Section 274(c)(1)(A) contemplates that a separated affiliate, providing only electronic publishing services, cannot conduct joint marketing activities with the BOC.
- The bottom line is that the electronic publishing joint marketing restrictions (promotion, marketing, sales and advertising) under Section 274 apply only to the services which are considered to be electronic publishing, and not to other services provided by the same entity.

**BELLSOUTH ADVERTISING & PUBLISHING CORPORATION**

- **BAPCO** intends to produce and market electronic publishing services as well as all printed directory products as an electronic publishing separated affiliate. **BAPCO** would become a Section 274 (c) (1) (B) company per the statute.
- Section 274 rules permit **BAPCO** to continue to provide its printed directory products with BellSouth Telecommunications, Inc. (**BST**) but it will not permit **BAPCO** to joint market its electronic publishing services with **BST**.
- **BAPCO** may offer certificates or coupons for traditional print directory advertising to **BST** and other LECs for resale to customers. These certificates may be used as incentive items or as part of a package of services that the LECs advertise, promote and sell.

The certificate or coupon program is a "typical" business arrangement between two companies that does not entail the characteristics of a joint marketing activity. In any case, it is permissible under Section 274.

**“OPERATE INDEPENDENTLY” - SECTION 274(b)**

- The Commission should deny requests calling for additional restrictions over and above the specific requirements enumerated by Congress in Section 274(b).
- Section 274(b) requirements represent a balanced approach of:
  - 1) Insuring sufficient disclosure and structural separation between affiliates and the electronic publishing entity.
  - 2) Providing the measured degree of flexibility and freedom to compete in the marketplace.
- The Commission should reject AT&T’s suggestion that the debt of a separated affiliate or joint venture cannot be guaranteed by the BOC’s parent holding company.
  - No section in the act require this restriction
  - Has no adverse affect on ratepayers
  - Entails no subsidy of electronic publishing activity by the regulated BOC
- “INDEPENDENTLY” relates to day to day operations, and does not prohibit umbrella functions provided by the holding company including:
  - FINANCE AND ACCOUNTING
  - LEGAL SERVICES
  - MIS
- Even under CI-II and the MFJ, certain common administrative services were permitted.
- The Commission should also reject Time Warner’s position that the separated affiliate be prohibited from using trademarks and trade names of the holding company.
  - This is permitted under Section 274(b)(6), notwithstanding BOC’s use of the same intellectual property of the parent company.

